Introduction

The EPA introduced the Environmental Leadership Program (ELP) in the Federal Register on June 21, 1994, and invited companies to participate in a pilot phase. The purpose of the pilot phase was to help identify attributes of an environmental leader and establish performance standards for the full scale ELP. Companies participating in the pilot phase undertook specific projects aimed at testing different leadership attributes and performance standards. These leadership attributes included

- Achieving and maintaining high levels of compliance through self- certification, internal auditing and the use of third party, independent auditors;
- Continually improving environmental performance by designing and implementing environmental management systems (EMS);
- Encouraging and assisting others (mentoring) in the business community to improve environmental performance;
- Gaining public support for the facility's role in the community with community involvement programs.

Salt River Project (SRP) submitted its application for the ELP pilot phase in September 1994 and EPA forwarded its acceptance of our participation in March 1995. SRP undertook two projects. The first project entailed developing and testing self-certification standards which are intended to ensure that internal audits are a credible method of measuring and certifying compliance. The objective of this pilot project was to develop standard management practices with the EPA, for the measurement, reporting, and self- certification of compliance for an ELP facility. These management practices, or standards, could then be transferable to other industries that utilize internal auditors for measuring and certifying compliance.

SRP also sponsored a series of environmental workshops for small business customers as our second project. The workshops aimed to provide the small businesses with concise, how- to measures to comply with hazardous waste, water quality and air quality regulations. This report describes the implementation process and results of the two SRP pilot projects.

Facility Description

Salt River Project (or "SRP") is comprised of two entities -- Salt River Valley Water Users' Association (the "Association") and Salt River Project Agricultural Improvement and Power District (the "District"). The Association was incorporated under the laws of the Territory of Arizona in 1903 to represent the owners and occupants of lands to be benefited by one of the first projects authorized under the Federal Reclamation Act of 1902. The District is an agricultural improvement district organized under the laws of the State of Arizona in 1937 and is a political subdivision of the State of Arizona.

The District is the third largest public power utility in the United States. It owns and operates electric generating stations and distributes electric power and energy to approximately 560,000 residential, commercial, industrial and agricultural power users in Maricopa, Pinal and Gila Counties, Arizona, plus mining loads in Gila and Pinal Counties.

The Association operates an irrigation system as the District's agent, administering water rights to a 247,600 acre area in central Arizona known as the Salt River Reservoir District. The Association

operates and maintains a raw water supply storage, transmission and distribution system that provides an average of 1.1 million acre feet of water annually for agricultural, municipal and industrial uses, supplying approximately 70 percent of the water used by ten communities having a combined population in excess of 1.5 million people. Water is supplied from surface water consisting of runoff from a 13,000 square mile watershed stored in six reservoirs and from groundwater pumping.

Salt River Project employs approximately 4,300 people at all of its facilities, which include:

- Administrative facilities in the metropolitan Phoenix area
- Service Centers (Crosscut, East Valley, Northside, Southside, Tempe and West Valley)
- Power Plants
    - Agua Fria (Glendale, AZ) (Operator and Owner)
    - Kyrene (Tempe, AZ) (Operator and Owner)
    - Santan (Gilbert, AZ) (Operator and Owner)
    - Coronado Generating Station (CGS) (St. Johns, AZ) (Operator and Owner)
    - Navajo Generating Station (NGS) (Page, AZ) (Operator and 21.7 percent Owner)

SRP also owns and operates six hydroelectric plants.

SRP has set a corporate goal to achieve the best environmental record in the utility industry. We intend to accomplish this goal by being a leader in environmental public policy, participating in environmental research, and implementing cost-effective compliance, audit and pollution prevention programs. Environmental compliance is a shared responsibility between employees and management. Executive management is accountable for providing strategic direction, policies, resources and training. Each facility manager is accountable for achieving and maintaining compliance with applicable laws and regulations. Employees participate in establishing policies and new programs, and enthusiastically accept responsibility for implementing SRP's compliance requirements. This joint commitment toward environmental leadership between employees and management is further exemplified by participation in the EPA's Pilot Environmental Leadership Program.

Leadership Projects

Self-Certification Project

SRP’s Self-Certification Project consisted of several distinct tasks. The first effort entailed the development of self-certification standards. This required a review of available information on environmental management systems, compliance auditing, identification of baseline elements and criteria for advanced compliance auditing. The determination of format, level of specificity, standards and model for the self certification reports that would be submitted to regulatory authorities was also discussed at the onset of the Self Certification Project. The second step was the joint audit and application of the self certification standards at SRP’s Aqua Fria Generating Station.

The development of performance based incentives and self-certification was discussed in ELP focus groups with SRP representatives. The work effort from this phase is documented in the

White Papers of the Incentives Focus Group and the Compliance Auditing and Self-Certification Focus Group.

A "Model for Self Certification of Environmental Compliance" was developed based on the previous tasks. This involved creating a draft model, incorporating regulatory agency and focus group comments, and finalizing the model in a report.

Joint Audit of Aqua Fria Generating Station

In December 1995, SRP conducted a comprehensive environmental compliance audit at the Agua Fria Generating Station. Agua Fria is located at 7302 W. Northern Avenue in Glendale, Arizona. The facility consists of six electrical generating units: three steam units and three simple cycle combustion turbines. These units burn primarily natural gas. The steam units also burn distillate and residual oils as backup fuel. The combustion turbines burn distillate oil as backup fuel. Agua Fria is a peak-load facility and operates intermittently, but it is subject to numerous environmental regulations; federal and local air quality requirements; federal and state hazardous and solid waste rules; and federal PCB and federal water quality rules. The facility employs one individual whose full-time job is environmental, health and safety compliance, and relies on corporate environmental staff for guidance and interaction with regulatory agencies to resolve compliance issues and concerns.

The audit sought to assess compliance with a number of regulatory requirements as well as adherence to internal policies related to hazardous and solid waste, PCBs, Maricopa County air quality, emergency response, and water quality. The audit utilized personnel from SRP's internal auditor pool working along side regulatory personnel from EPA headquarters, Region 9 EPA, EPA's National Enforcement Investigation Center, Arizona Department of Environmental Quality, and Maricopa County. Consistent with SRP's audit policy, auditors were selected from the pool based on several criteria that serve to maximize expertise onsite and enhance independence and objectivity. The audit team members are listed in Appendix A.

As SRP auditors assessed compliance (through interviews, physical observation, and records reviews), regulatory personnel observed and provided insight into future regulatory development and significant regulatory. Throughout the week of the audit, each SRP auditor was paired with one or more individuals from regulatory agencies depending upon interest and expertise. Both SRP and agency personnel participated in interviews with facility employees and provided suggestions for improvement in areas with identified deficiencies.

Following the audit, a draft report was circulated to facility management and to several agency personnel for review and comment. The final report was issued in February 1996 following the submittal of comments and a corrective action plan by Agua Fria's management. The results of the audit were generally positive and well received by facility and agency personnel. There were minor deficiencies in documentation maintained for four regulatory programs. Discrepancies included an incomplete listing of materials used, missed weekly inspections, incomplete reports for cleanup and response programs/plans, and two late submittals to local agencies. There was only one significant, nonreportable exception, that had occurred prior to the audit but had been corrected within five days of the exception. Primarily, personnel were aware of all the requirements to be met for compliance, but had a different interpretation of applicable rules, misunderstood a requirement, or had simply overlooked a situation which led to a finding. The findings that were training related were only 1/5 of the total findings for the facility. Following a discussion of findings at the closing meeting and issuance of the draft report, Agua Fria

management developed a corrective action plan to respond to the issues raised. Corrective actions for the audit findings were completed prior to end of the audit or within sixty days.

Shortly after issuance of the final audit report, a presentation was made by SRP's Environmental, Health and Safety Audits Division to SRP's General Manager and other executive level managers. The executive briefing (conducted for all SRP audits) provided management with an understanding of the findings, corrective actions, and status of the self-certification program efforts within the ELP.

Model for Self-Certification

Following completion of the audit for Agua Fria Generating Station, SRP developed a model that could be used by companies desiring to establish self-certification programs. The model was revised as comments were received from EPA and the Arizona Department of Environmental Quality. Issues of concern included level of disclosure of audit results and the perceived need for third party verification.

The model consists of four components and includes, as the first component, a discussion of the foundations for compliance assurance and addresses EPA's Audit Policy, Sentencing Commission Guidelines, Prosecutorial Guidelines, ISO 14000 Environmental Standards, and Audit Privilege legislation. In addition to governmental driven guidelines, the model emphasizes other environmental initiatives currently adopted by many within industry for development of advanced environmental management systems. Such initiatives include EPA's Common Sense Initiative, Chemical Manufacturers Association's Responsible Care Program, Coalition for Environmentally Responsible Economies (CERES), Global Environmental Management Initiative (GEMI) and the Business Council for Sustainable Development.

The second component of the model addresses the initial development of a self-certification program and identifies the roles of management, staff and facility personnel, and regulatory agencies, and the importance of establishing alliances which incorporate public and community interests. Roles in the self-certification process are segregated among the three groups as follows:

Management [1]

- Identify and implement corrective actions
- Budget and install capital improvements
- Prepare the certification statement on corrective actions

Corporate Staff and Facility Personnel

- Communicate with regulatory personnel
- Resolve compliance issues/public concerns
- Identify and negotiate incentives for self-certification
- Conduct audits
- Implement corrective actions
- Submit certifications and disclose outstanding issues

[1] See Appendix B: "Roles in the Self-Certification Process"

- Provide information and feedback to management
- Prepare annual environmental performance reports

Regulatory Agencies

- Review applications for self-certification
- Resolve outstanding compliance issues
- Identify and negotiate incentives
- Evaluate compliance performance
- Review annual environmental performance report

The third component of the model describes self-certification program steps in terms of types of environmental audits, auditing processes, and audit protocols. This section of the model relies heavily on historical experience within SRP and established guidance developed over the last ten years. The model contrasts compliance auditing with management system auditing and highlights issues concerning internal and external/third party audits. This section also provides a general overview (Appendix C: "Audit Processes") of auditing processes beginning with pre-audit activities (scheduling, planning, scope, auditor selection, review of pre-audit information), onsite activities (opening conference, information gathering, evaluation of audit findings, exit conference), and post-audit activities (draft report, corrective action plan, final report, follow-up visits, communication to management). The model stresses the importance of adherence to standards for conducting internal compliance audits and ensuring quality, independence, and objectivity.

The final component of the model describes the mechanics of application for self-certification, disclosure of audit results, submittal of a self-certification letter and signatory requirements (Appendix D: "Self-Certification Process"). This section is important in that it details possible requirements for eligibility within ELP to self-certify compliance. It also provides a sample self-certification letter which discloses findings, details outstanding audit findings and establishes time frames for corrective actions consistent with EPA's Audit Policy. Finally, this section discusses signatory requirements to be met in certifying compliance. These requirements are consistent with regulatory programs administered by EPA requiring submittals with the signature of a principal executive.

A detailed description of this self-certification method is provided in "A Model for Self-Certification of Environmental Compliance" in Appendix E. (Copies of this document are available by contacting Dave Sultana at Salt River Project. He can be reached by phone at 602-236-8118 or by e-mail at dgsultan@srp.gov.)

Conclusions

Completion of the Self-Certification Project has provided meaningful and useful information concerning compliance auditing and self-certification, which has application in the future full-scale ELP program. It has established that internal audit programs can serve as a credible mechanism for compliance audits with periodic third party review. The project further demonstrated the value of a cooperative working relationship between the regulatory agencies and the regulated community. A well-developed self-certification program, supported by regulatory agencies, can assist future ELP participants in achieving their compliance goals and improving relationships with regulatory agencies.

Mentoring Project

Planning

SRP was one of five participating companies to undertake a mentoring project. There were no defined standards for mentoring projects. A review of the various projects found that the ELP participants mentored their suppliers, customers or colleagues. SRP chose to mentor its small business customers as a means of providing value beyond the normal service of electric power to those businesses and reaching a broad customer base for the workshops. Customers in certain industry sectors were chosen based upon number of customer accounts in that sector, minimal in-house environmental expertise, and potential environmental impacts. SRP had three objectives for the environmental awareness workshops: to improve the participant's awareness of applicable regulations, to improve their knowledge of environmental impacts of noncompliance and to provide compliance tools and techniques.

SRP's customers and electric service areas are predominantly in Maricopa County, Arizona. The Maricopa County Environmental Services Department has jurisdiction over air quality regulations in this area that impact approximately 2,700 businesses. Maricopa County Small Business Assistance Program (MCSBAP) had implemented workshops for the small businesses affected by these regulations and had established expertise in evaluating and assisting these facilities. SRP thus contacted the agency and discussed combining our efforts to improve the effectiveness of the programs for the community. SRP sought their recommendations for the type of facilities to be mentored, format of the workshops, speakers, and content.

SRP developed a partnership with MCSBAP to sponsor and conduct environmental awareness workshops for small industrial customers, specifically the Metal Finishing and Electronics, Automotive Repair, and Printing Industries. SRP solicited participation in the workshops through a direct mailing. MCSBAP scanned a reference software disc for companies and corresponding standard industrial classification (SIC) that related to the workshop. SRP reviewed their customer segments by category, SIC, and number. The two lists of companies were merged by SRP and an invitation was mailed to each business. MCSBAP did a news release approximately one month prior to the workshop and the local newspapers ran an article on two of the workshops. The Printers Industry of Arizona also advertised the Printing Workshop through their newsletter.

Staffing

Four SRP engineers and scientists did the presentations for the different workshops. Each staff member spent approximately forty hours to prepare for the initial workshop and twenty-thirty hours to fine tune the presentations for the second workshop. SRP's transportation personnel provided information on freon recovery equipment and compliance their experience with compliance procedures for automotive maintenance shops.

There was also considerable amount of administration involved; approximately 100 hours to plan, coordinate and market for the workshops and sixty hours to receive reservations and prepare the materials for all three of the workshops. Although local and state regulatory agencies attended the workshops, their presentations were generally limited to an introduction to their small business programs.

Implementation

SRP's environmental awareness workshops were held in the mornings and lasted four hours. For all three workshops, approximately four thousand businesses were notified of the free workshop. The workshops were held in March, April and July in 1996 at the SRP main administration building and sixty-three companies participated. The workshop format and location were geared to relieve participants' concerns for privacy or scrutiny.

The first two workshops presented core information on Hazardous Waste and Water Quality Compliance. Examples of the presented material are in Appendix F. Handouts for the participants were:

- A contact list for Valley Industrial Pretreatment Programs
- Laboratories Performing Waste and Waste Water Analyses
- Arizona Department of Environmental Quality Regulatory Contacts
- An overview of the Resource Recovery Conservation Act and state waste programs
- The local county air quality rule, if applicable
- A rule summary of the refrigerant recycling rule (automotive only)
- An evaluation survey form

At both workshops, the participants indicated that the most valuable information was the hazardous and solid waste information and the water quality issues. Over 80 percent of the respondents felt that all of the presentations were "very valuable". All of the participants indicated that the seminar met or exceeded their expectations.

To further enhance the value of its final workshop, SRP felt that for the printing industry sector the workshop agenda should focus on the "how to" of compliance and Environmental Management Systems (EMS). Jeff Adrian, of John Roberts Company, participated in the printing workshop and shared a copy of their complete EMS with the participants. (Copies of this document are available by contacting Kara Young at Salt River Project at 602-236-5674 or by e-mail at klyoung@srp.gov.) The EMS system provided a comprehensive view of training, organization of a business' regulatory records, solvent minimization and cost effectiveness and value of an EMS. A smaller part of the program included an introduction to the local air quality compliance program and an overview of new standards in the graphic arts rule.

The straight forward information in the EMS appealed to the businesses. The EMS booklet, provided to participants, could be customized by the participating companies for their facilities. The participants appreciated having "real" people providing specific, actual examples. The survey results indicated the companies' desire for more information on pollution prevention, Department of Transportation regulations and efficient energy usage. Summaries of the surveys for the three workshops are in Appendix G.

Conclusions

All of SRP's mentoring objectives were met or exceeded by the workshops. Although the workshops were brief, SRP was able to provide basic, essential information and references to the businesses. The positive response to the workshops indicated that the information was pertinent to the participant's business. Compliance tools and techniques were basic yet effective; for example the basics steps to complete a hazardous waste label or the implementation of solvent "teams" to focus on pollution prevention at a company. Companies

expressed a sincere interest in future topics, such as pollution prevention, Green Lights programs, and recycling information, that focus on "beyond compliance" efforts. There were mixed reviews for the participation of the regulatory agencies; some participants requested additional input from the agencies and others appreciated that the "seminar speakers were from the business sector instead of government." MCSBAP felt that the workshops extended and improved their resources.

A follow-up to one of the automotive shops found that the business had actually modified and upgraded their procedures to improve compliance with regulations at their shop. This businessman indicated that the list of regulatory contacts and phone numbers was one of the best resources provided. Moreover, by request, SRP's engineers conducted a courtesy site visit to provide additional assistance to two businesses.

The community also recognized the value of the workshops; SRP received an Award of Merit by Valley Forward, an environmental advocacy group, for the mentoring workshops on September 20, 1996.

SRP intends to continue the mentoring program. Although the evaluations of the workshops provided primarily positive responses, SRP is considering different approaches for helping businesses meet and exceed regulatory requirements like:

- One on one assistance at a facility operated by a SRP customer or supplier;
- Regulatory assistance as part of a technical seminar for the agricultural industry;
- Quarterly environmental, topic specific workshops for SRP customers; and
- Providing technical support to the local small business assistance programs.

Regulatory Partners' Conclusions

The ELP team (U.S. EPA, ADEQ and SRP) intended to accomplish two objectives with this pilot project: 1) to develop audit and self-certification guidance for a national Leadership Program; and 2) to develop and evaluate a mentoring program designed for SRP's small business customers.

As part of the self-certification component of the ELP, the ELP team conducted a compliance audit at one of SRP's generating facilities. As stated in this final report, the Agua Fria facility compliance audit included representatives from EPA Headquarters, EPA Regional Office, EPA-National Enforcement Investigations Center, ADEQ and Maricopa County. The audit team represented a well-balanced group of professionals with substantial experience and knowledge in the areas of air, water, waste and systems management. Each SRP auditor was paired with a regulatory agency representative to increase and promote discussions during the auditing process. SRP audit staff provided the regulatory agency representatives with ample opportunity to exchange viewpoints and discuss any potential compliance issues throughout the audit process. Overall, the regulatory agency team members were impressed with the SRP auditing program. The join audit was a great learning experience for all connected with the facility and the audit, gave the team members significant insight into the SRP audit program, and enlightened the team as to the value of cooperative audits as a means to trust building with the regulatory community.

The second key component of SRP's pilot project was the mentoring program. The regulatory ELP team members were pleased by the selection of small business customers as the center of SRP's

mentoring project. The mentoring workshops presented an excellent opportunity to study and enhance the unique customer relationship a small business holds with a service provider. In addition, by partnering with the Maricopa County Small Business Assistance Program, the mentoring workshop was able to deliver a locally valuable product to area small businesses. The ELP team learned numerous practical lessons from the mentoring project: 1) to develop and implement a workshop is very resource intensive, and as such must have serious financial commitment and strong management support form the host company; 2) Whenever possible, ELP projects or activities should include the ELP team members, other "non-team members", such as local agencies, other companies and subject experts, etc., to participate in the process and presentations. Such projects can greatly benefit from complimentary contributions form "outside" sources; 3) There needs to be a strong line of communication between ELP team members. It is important for team members to develop and implement a good communication strategy to ensure that all team members are kept informed and positively contributing to a maximized project outcome.

The Environmental Leadership Pilot Project has benefited from SRP's participation in the Self-Certification and Mentoring areas. U.S. EPA and ADEQ appreciate the exceptional commitment and support that SRP provided throughout the ELP Pilot project.